

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT**

**TOWNSHIP OF ONTONAGON
ONTONAGON, MICHIGAN**

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Ontonagon	County Ontonagon
Audit Date 3/31/05	Opinion Date 9/19/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC			
Street Address 301 N Suffolk St	City Ironwood	State MI	ZIP 49938
Accountant Signature <i>Dean Beaudoin</i> CPA		Date 9/30/05	

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JOKI, MAKELA & POLLACK, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Ontonagon
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Ontonagon as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements of Township of Ontonagon, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Township of Ontonagon as of March 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2005, on our consideration of Township of Ontonagon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 6 through 10 and pages 33 and 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ontonagon's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
September 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF ONTONAGON

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of Ontonagon's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, penal fines, charges for services and by federal and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Library Fund, Park Fund and Economic Development Fund. The Township has one nonmajor fund, the Liquor Law Enforcement Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Fiduciary funds, such as the Trust and Agency and Tax Collection Fund, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 180,538
Taxes receivable	16,127
Other current assets	<u>650</u>
Total Current Assets	\$ 197,315
Noncurrent Assets:	
Note receivable	\$ 55,000
Capital assets, net of accumulated depreciation	<u>184,547</u>
Total Noncurrent Assets	\$ 239,547
Total Assets	<u>\$ 436,862</u>
LIABILITIES	
Due other governmental units	\$ 23,522
Other current liabilities	<u>19,886</u>
Total Liabilities	<u>\$ 43,408</u>
NET ASSETS	
Investment in capital assets	\$ 184,547
Restricted	64,769
Unrestricted	<u>144,138</u>
Total Net Assets	<u>\$ 393,454</u>

The Township's total net assets are \$393,454 at March 31, 2005. Capital assets are \$184,547. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

Restricted net assets of \$64,769 are restricted for the long-term portion of a note receivable of \$55,000 and \$9,769 for road tax levy collections.

The total unrestricted net assets are \$144,138 as of March 31, 2005. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2005.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>
Revenue:	
Program Revenues:	
Charges for services	\$ 63,315
Operating grants and contributions	29,561
General Revenues:	
Taxes	158,013
State and federal grants	100,719
Interest and rents	4,416
Other revenue	<u>24,321</u>
 Total Revenue	 \$ 380,365
 Program expenses - Governmental activities	 <u>331,849</u>
 Increase in Net Assets	 <u>\$ 48,516</u>

The Township had an overall increase in net assets of \$48,516 for the year ended March 31, 2005. The Township's total revenues totaled \$380,365.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was \$331,849. A majority of these costs were funded by property taxes, charges for services, penal fines and state and federal grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the Township revised its original budget several times to account for the changing environment of funding sources. A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At March 31, 2005, the Township had \$184,547 invested in capital assets net of accumulated depreciation. This amount increased during the past fiscal year by \$114,542, consisting of additions totaling \$123,616, and depreciation charges of \$9,074.

Debt

The Township had no outstanding debt at March 31, 2005, other than a note payable to other fund. This note will be repaid over a period of several years.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Ontonagon, 311 N. Steel Street, Ontonagon, MI 49953; telephone number (906) 884-2415.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2005

	Governmental Activities
<hr/>	
ASSETS	
CURRENT ASSETS	
Cash	
Delinquent property taxes	\$ 180,538
Due from other governmental unit	16,127
	<u>650</u>
NONCURRENT ASSETS	
Capital assets	
Less accumulated depreciation	\$ 1,050,878
Note receivable from non-profit corporation	(866,331)
	<u>55,000</u>
TOTAL CURRENT ASSETS	\$ 197,315
TOTAL NONCURRENT ASSETS	\$ 239,547
TOTAL ASSETS	<u>\$ 436,862</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	
Due other governmental units	\$ 3,759
Deferred revenues	23,522
	<u>16,127</u>
TOTAL CURRENT LIABILITIES	<u>\$ 43,408</u>
NET ASSETS	
Invested in capital assets	
Restricted	\$ 184,547
Unrestricted	64,769
	<u>144,138</u>
TOTAL NET ASSETS	<u>\$ 393,454</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
TOWNSHIP OF ONTONAGON, MICHIGAN
Year ended March 31, 2005

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:				
Legislative	\$ 37,606			\$ (37,606)
General government	100,170	\$ 4,399		(95,771)
Public safety	25,910			(25,910)
Public works	23,522			(23,522)
Recreation and parks	112,584	58,916	\$ 29,581	(24,087)
Other functions	21,644			(21,644)
Interest on long-term debt	1,339			(1,339)
Depreciation - unallocated	<u>9,074</u>			<u>(9,074)</u>
Total Governmental Activities	\$ 331,849	\$ 63,315	\$ 29,581	\$ (238,953)
General revenues:				
Taxes				\$ 158,013
State and federal grants				100,719
Interest and rents				4,416
Other revenue				<u>24,321</u>
Total General Revenues				<u>\$ 287,469</u>
Change in Net Assets				\$ 48,516
Net assets at April 1, 2004				<u>344,938</u>
Net assets at March 31, 2005				<u>\$ 393,454</u>

The accompanying notes are an integral part of the financial statements.

COMBINED BALANCE SHEET -

TOWNSHIP OF

March 31,

	General Fund	Library Fund
ASSETS		
Cash		
Delinquent taxes receivable	\$ 98,147	\$ 13,782
Due from other governmental unit	13,128	2,999
Due from other funds	650	
Note receivable from:	1,696	
Non-profit corporation		
Other fund		
Total Assets	<u>\$ 113,621</u>	<u>\$ 16,781</u>
LIABILITIES		
Liabilities:		
Accounts payable		
Due other funds	\$ 3,759	
Due other governmental units	23,522	
Deferred revenues	<u>13,128</u>	<u>\$ 2,999</u>
Total Liabilities	\$ 40,409	\$ 2,999
FUND EQUITY		
Fund Equity - fund balance:		
Reserved	\$ 9,769	
Unreserved	<u>63,443</u>	<u>\$ 13,782</u>
Total Fund Equity	<u>\$ 73,212</u>	<u>\$ 13,782</u>
	<u>\$ 113,621</u>	<u>\$ 16,781</u>

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS

ONTONAGON, MICHIGAN

2005

Park Fund	Economic Development Fund	Other Nonmajor Fund	Total Governmental Funds
\$ 14,937	\$ 53,672		\$ 180,538
			16,127
			650
			1,696
	55,000		55,000
	<u>107,785</u>		<u>107,785</u>
<u>\$ 14,937</u>	<u>\$ 216,457</u>	<u>\$ 0</u>	<u>\$ 361,796</u>
\$ 1,696			\$ 3,759
			1,696
			23,522
			<u>16,127</u>
<u>\$ 1,696</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,104</u>
\$ 13,241	\$ 162,785		\$ 172,554
<u>\$ 13,241</u>	<u>53,672</u>	<u>\$ 0</u>	<u>144,138</u>
<u>\$ 13,241</u>	<u>\$ 216,457</u>	<u>\$ 0</u>	<u>\$ 316,692</u>
<u>\$ 14,937</u>	<u>\$ 216,457</u>	<u>\$ 0</u>	<u>\$ 361,796</u>

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS

TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2005

Total fund equity of governmental activities	\$	316,692
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets

\$ 1,050,878

Accumulated depreciation

(866,331)

184,547

Deduction:

Long-term liability for note payable of Park Fund to Economic Development Fund will not use current available financial resources and therefore is not reported as a liability in governmental funds.

(107,785)

Total net assets of governmental activities

\$ 393,454

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES

TOWNSHIP OF

Year ended

	General Fund	Library Fund
Revenues:		
Taxes		
Licenses and permits	\$ 133,861	\$ 24,152
State grants	4,399	
Federal grants	92,173	3,683
Fines and forfeits	4,218	
		29,581
Charges for services		
Interest		6,995
Other revenue		270
	<u>21,389</u>	<u>2,723</u>
TOTAL REVENUES	\$ 256,040	\$ 67,404
Expenditures:		
Current:		
Legislative	\$ 37,606	
General government	100,170	
Public safety	25,910	
Public works	23,522	
Recreation and culture	10,900	\$ 62,039
Other functions	21,572	
Capital outlay		
Debt service	3,822	1,113
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 223,502	\$ 63,152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 32,538	\$ 4,252
Other financing sources (use):		
Operating transfers from (to) other funds	\$ (3,352)	
Proceeds from borrowing		
	<u> </u>	<u> </u>
	\$ (3,352)	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USE	\$ 29,186	\$ 4,252
Fund balance at April 1, 2004	<u>44,026</u>	<u>9,530</u>
FUND BALANCE AT MARCH 31, 2005	\$ <u>73,212</u>	\$ <u>13,782</u>

The accompanying notes are an integral part of the financial statements.

AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

ONTONAGON, MICHIGAN

March 31, 2005

Park Fund	Economic Development Fund	Other Nonmajor Fund	Total Governmental Funds
			\$ 158,013
			4,399
		\$ 645	96,501
			4,218
			29,581
\$ 51,921			58,916
215	\$ 3,928	3	4,416
<u>209</u>			<u>24,321</u>
\$ 52,345	\$ 3,928	\$ 648	\$ 380,365
			\$ 37,606
			100,170
			25,910
\$ 39,645			23,522
	\$ 72		112,584
			21,644
118,681			123,616
<u>1,339</u>			<u>1,339</u>
\$ 159,665	\$ 72		\$ 446,391
\$ (107,320)	\$ 3,856	\$ 648	\$ (66,026)
\$ 4,000		\$ (648)	
<u>107,785</u>			<u>\$ 107,785</u>
\$ 111,785		\$ (648)	\$ 107,785
\$ 4,465	\$ 3,856	\$ 0	\$ 41,759
<u>8,776</u>	<u>212,601</u>	<u>0</u>	<u>274,933</u>
\$ 13,241	\$ 216,457	\$ 0	\$ 316,692

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE OF GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES

TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2005

Total net change in fund balance - governmental funds	\$ 41,759
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 123,616	
Depreciation expense	<u>(9,074)</u>	114,542

Proceeds from borrowing from other fund are reported as an other financing source in governmental funds. For governmental activities, those proceeds are shown in the statement of net assets as a liability. This liability is netted in the statement of net assets against interfund note receivable.

(107,785)

Change in net assets of governmental activities	<u>\$ 48,516</u>
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The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2005

	Trust and Agency	Tax Collection	Total
ASSET			
Cash in bank	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
LIABILITIES			
Due other funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

The accompanying notes are an integral part
of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Ontonagon operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Library Fund, Park Fund and Economic Development Fund as major funds. The Liquor Law Enforcement Fund is a nonmajor fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Special Revenue Funds - are used by the Township to account for proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund Type

Agency Funds - The Trust and Agency and Tax Collection Fund are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. This fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

Receivables

Credit has been extended to one non-profit corporation and to various units of government and is accounted for in the governmental fund types. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are few.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenues (a liability) are recorded to present the uncollected portion of property taxes levied.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a deferred revenue on December 1; the property taxes are then recognized as revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District, Local School District and Village of Ontonagon Downtown Development Authority (DDA). Local, County and Intermediate school taxes are levied on July 1; Township, County and Village DDA taxes are levied on December 1. One taxpayer accounts for approximately 20 percent of the tax roll of the Township.

Capital Assets and Depreciation

Capital assets include buildings, furniture and fixtures, library books and recreation park equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25-50 years
Office furniture and fixtures	5-20 years
Other equipment	10 years
Library books	5 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

The note payable to Economic Development Fund by the Park Fund is eliminated in the Government-wide financial statements. Because the note will not be paid with current available resources of the Park Fund, it is not included as a liability in the Fund-based Financial Statements.

Investment in Capital Assets

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations. The reserve fund equity for governmental funds represents the amount reserved for the long-term portion of note receivable from non-profit corporation and other fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), as amended and interpreted. Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis – provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements – Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets – recorded in the governmental activities statement of net assets at March 31, 2005 are \$1,050,878 along with \$866,331 of accumulated depreciation of those capital assets. The March 31, 2004 financial statements did not report fixed assets in the General Fixed Assets Account Group (GFAAG).

Major and Nonmajor funds – fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2005, total cash as reported by banks and credit union amounted to \$404,664, of which \$200,188 was covered by depository insurance, and \$204,476 exceeded coverage limits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - OPERATING TRANSFERS IN (OUT)

The details of operating transfers in (out) are as follows:

	<u>Operating Transfer</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ 648	\$ 4,000
Special Revenue Funds:		
Park	\$ 4,000	
Liquor Law Enforcement		\$ 648
	\$ 4,000	\$ 648

NOTE D - PROPERTY TAXES

A summary of the 2004 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	12.8946	\$ 750,475	\$ 77,361	\$ 673,114
State education tax	6.0000	344,046	22,043	322,003
Local school	18.0000	581,565	35,877	545,688
School bond	3.6000	206,560	13,225	193,335
Intermediate school	3.3692	193,169	12,376	180,793
Township	2.4925	134,824	14,426	120,398
TOTALS	<u>46.3563</u>	<u>\$ 2,210,639</u>	<u>\$ 175,308</u>	<u>\$ 2,035,331</u>

Taxable valuation (exclusive of industrial facilities tax roll) \$ 57,403,312

NOTE E - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township has no funds with a deficit as of March 31, 2005.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township had actual expenditures in excess of budgeted expenditures in its General Fund and Special Revenue Funds in certain budgetary functions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2005, follows:

Receipts from charging administrative fee	\$ 30,120
Cost incurred	<u>43,822</u>
Excess of costs	<u>\$ (13,702)</u>

NOTE G - ECONOMIC DEVELOPMENT FUND

Note Receivable – Non-profit Corporation

On February 22, 2002, the Township entered into a loan agreement with a non-profit corporation in accordance with the Township's revolving loan fund policy, as amended. The loan was in the amount of \$70,000 with an interest rate of 3% annually. Principal payments of \$10,000 a year are due each July 1 beginning on July 1, 2003. Interest payments are due semi-annually beginning July 1, 2002 until July 1, 2009, at which time the remaining outstanding principal balance and any accrued interest is to be paid in full.

The loan is collateralized with a security interest in theater seats owned by the corporation and stage rigging and lighting equipment, which were to be purchased with the loan proceeds according to the agreement. There is no penalty for early payment of principal and interest. The outstanding balance of the loan was \$55,000 at March 31, 2005. No payments of principal were received during the year ended March 31, 2005. Fund balance of the Economic Development Fund is reserved for \$55,000 for the long-term portion of the loan not yet collected.

Note Receivable – Other Fund

On September 9, 2003, the Township entered into a loan agreement with the Township's Park Fund in accordance with the Township's revolving loan fund policy, as amended. The loan is limited to \$119,000 with an interest rate of 3% annually. At March 31, 2005, \$110,226 was loaned to the Park Fund. Payments are \$761 per month including interest. Payments began November 19, 2004, and will continue until October 19, 2019. The March 31, 2005, balance is \$107,785.

The loan is collateralized with a security interest on the property of the Park Fund. Fund balance of the Economic Development Fund is reserved for \$107,785 for the long-term portion of the loan not yet collected.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2005:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
<u>Governmental Activities</u>				
Assets:				
Buildings and improvements	\$ 87,240			\$ 87,240
Office furniture and fixtures	74,191	\$ 4,935		79,126
Library books	702,291			702,291
Recreation park	63,540	118,681		182,221
	<u>\$ 927,262</u>	<u>\$ 123,616</u>		<u>\$ 1,050,878</u>
Less accumulated depreciation	<u>857,257</u>	<u>9,074</u>		<u>866,331</u>
Net Assets	<u>\$ 70,005</u>	<u>\$ 114,542</u>	<u>\$ 0</u>	<u>\$ 184,547</u>

NOTE I – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 1,696</u>	Park	<u>\$ 1,696</u>

NOTE J – RESTRICTED NET ASSETS

The following is a summary of restricted portions of fund balance for individual funds at March 31, 2005:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
General	Road tax levy collections	\$ 9,769
Economic Development	Long-term portion of note receivable	<u>162,785</u>
		<u>\$ 172,554</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$3,000,000 per occurrence and a \$5,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General and Special Revenue Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L - STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2005, the Township collected construction code service fees of \$4,399 and spent \$7,210 for enforcing the construction code. Because the fee structure is not intended to recover the full cost of enforcing the code and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON

TOWNSHIP OF

Year ended

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 87,300	\$ 126,251	\$ 133,861
Licenses and permits	3,200	4,071	4,399
State grants	83,681	91,103	92,173
Federal grants	5,000	4,223	4,218
Fines and forfeits			
Charges for services			
Interest			
Other revenue	<u>28,790</u>	<u>35,163</u>	<u>21,389</u>
TOTAL REVENUES	\$ 207,971	\$ 260,811	\$ 256,040
Expenditures:			
Current:			
Legislative	\$ 23,900	\$ 31,860	\$ 37,606
General government	100,365	103,824	100,170
Public safety	28,250	25,200	25,910
Public works	5,921	47,000	23,522
Recreation and culture		10,900	10,900
Other functions	24,050	24,706	21,572
Capital outlay	1,985	13,321	3,822
Debt service			
TOTAL EXPENDITURES	<u>\$ 184,471</u>	<u>\$ 256,811</u>	<u>\$ 223,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 23,500	\$ 4,000	\$ 32,538
Other financing sources (use):			
Operating transfers from (to) other funds	\$ (23,500)	\$ (4,000)	\$ (3,352)
Proceeds from borrowing			
	<u>\$ (23,500)</u>	<u>\$ (4,000)</u>	<u>\$ (3,352)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USE	\$ 0	\$ 0	\$ 29,186
Fund balance at April 1, 2004	<u>44,026</u>	<u>44,026</u>	<u>44,026</u>
FUND BALANCE (DEFICIT) AT MARCH 31, 2005	<u>\$ 44,026</u>	<u>\$ 44,026</u>	<u>\$ 73,212</u>

The accompanying notes are an integral part of the
financial statements.

SCHEDULES - MAJOR FUNDS

ONTONAGON, MICHIGAN

March 31, 2005

Library Fund			Park Fund			Economic Development Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
	\$ 20,000	\$ 24,152						
\$ 3,400	3,400	3,683						
24,000	29,581	29,581						
4,500	4,500	6,995	\$ 35,000	\$ 35,000	\$ 51,921			
250	250	270			215			
<u>1,850</u>	<u>1,850</u>	<u>2,723</u>			<u>209</u>			\$ 3,928
\$ 34,000	\$ 59,581	\$ 67,404	\$ 35,000	\$ 35,000	\$ 52,345	\$ 0	\$ 0	3,928
\$ 61,985	\$ 66,266	\$ 62,039	\$ 43,137	\$ 43,137	\$ 39,645			
								\$ 72
700	2,000	1,113	10,000	10,000	118,681			
					<u>1,339</u>			
<u>\$ 62,685</u>	<u>\$ 68,266</u>	<u>\$ 63,152</u>	<u>\$ 53,137</u>	<u>\$ 53,137</u>	<u>\$ 159,665</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72</u>
\$ (28,685)	\$ (8,685)	\$ 4,252	\$ (18,137)	\$ (18,137)	\$ (107,320)	\$ 0	\$ 0	\$ 3,856
\$ 20,000			\$ 4,000	\$ 4,000	\$ 4,000			
					<u>107,785</u>			
\$ 20,000	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 111,785	\$ 0	\$ 0	\$ 0
\$ (8,685)	\$ (8,685)	\$ 4,252	\$ (14,137)	\$ (14,137)	\$ 4,465	\$ 0	\$ 0	\$ 3,856
<u>9,530</u>	<u>9,530</u>	<u>9,530</u>	<u>8,776</u>	<u>8,776</u>	<u>8,776</u>	<u>212,601</u>	<u>212,601</u>	<u>212,601</u>
<u>\$ 845</u>	<u>\$ 845</u>	<u>\$ 13,782</u>	<u>\$ (5,361)</u>	<u>\$ (5,361)</u>	<u>\$ 13,241</u>	<u>\$ 212,601</u>	<u>\$ 212,601</u>	<u>\$ 216,457</u>

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2005

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes :			
Operations	\$ 47,000	\$ 47,942	\$ 942
Road levy	47,000	48,304	1,304
Commercial forest reserve	2,187	2,187	
Delinquent property taxes	4,195	4,253	58
Swamp taxes	6,119	6,119	
Property tax administrative fee	<u>19,750</u>	<u>25,056</u>	<u>5,306</u>
	\$ 126,251	\$ 133,861	\$ 7,610
Licenses and permits	4,071	4,399	328
State grants:			
Shared revenues	\$ 77,000	\$ 78,069	\$ 1,069
Arts and cultural grant	10,900	10,900	
Other	<u>3,203</u>	<u>3,204</u>	<u>1</u>
	\$ 91,103	\$ 92,173	\$ 1,070
Federal grants - National forest	4,223	4,218	(5)
Other revenue:			
Reimbursements	\$ 31,607	\$ 16,325	\$ (15,282)
Summer tax collection	<u>3,556</u>	<u>5,064</u>	<u>1,508</u>
	\$ 35,163	\$ 21,389	\$ (13,774)
TOTAL REVENUES	\$ 260,811	\$ 256,040	\$ (4,771)
Other financing source - operating transfer in from Liquor Law Enforcement Fund	<u> </u>	<u>648</u>	<u>648</u>
TOTAL REVENUES AND OTHER FINANCING SOURCE	<u>\$ 260,811</u>	<u>\$ 256,688</u>	<u>\$ (4,123)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2005

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 1,800	\$ 1,800	
Office supplies	12,800	13,919	\$ (1,119)
Professional and contractual services	14,600	19,364	(4,764)
Transportation	600	417	183
Dues and memberships	1,200	1,206	(6)
Publishing	860	900	(40)
TOTAL LEGISLATIVE	\$ 31,860	\$ 37,606	\$ (5,746)
GENERAL GOVERNMENT			
Supervisor - salary	\$ 4,000	\$ 4,000	
Election:			
Salaries	\$ 7,600	\$ 6,735	\$ 865
Supplies	1,200	931	269
	\$ 8,800	\$ 7,666	\$ 1,134
Assessor:			
Salary	\$ 21,770	\$ 21,770	
Supplies	790	777	\$ 13
Transportation	250	196	54
	\$ 22,810	\$ 22,743	\$ 67
Clerk - salary	12,800	12,460	340
Treasurer - salary	12,456	12,456	
Board of review - salaries	145	145	
Town hall and property:			
Salaries	\$ 14,200	\$ 13,157	\$ 1,043
Repairs and maintenance	1,500	1,012	488
Professional and contractual services	3,687	3,972	(285)
Communications	2,400	2,265	135
Insurance	9,326	9,325	1
Utilities	11,700	10,969	731
	\$ 42,813	\$ 40,700	\$ 2,113
TOTAL GENERAL GOVERNMENT	\$ 103,824	\$ 100,170	\$ 3,654

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
PUBLIC SAFETY			
Liquor law enforcement	\$ 0	\$ 646	\$ (646)
Fire protection - contracted services	18,000	18,054	(54)
Zoning board:			
Salaries	\$ 6,400	\$ 6,431	\$ (31)
Transportation	800	779	21
	<u>\$ 7,200</u>	<u>\$ 7,210</u>	<u>\$ (10)</u>
TOTAL PUBLIC SAFETY	\$ 25,200	\$ 25,910	\$ (710)
PUBLIC WORKS - Highways and streets	47,000	23,522	23,478
RECREATION AND CULTURE -			
Theater - grant distribution	10,900	10,900	
OTHER FUNCTIONS			
Insurance and bonds	\$ 4,506	\$ 4,506	
Employer's share of social security and unemployment costs	16,500	14,200	\$ 2,300
Miscellaneous	<u>3,700</u>	<u>2,866</u>	<u>834</u>
TOTAL OTHER FUNCTIONS	\$ 24,706	\$ 21,572	\$ 3,134
CAPITAL OUTLAY			
Township board	\$ 3,321	\$ 3,822	\$ (501)
Town hall and property	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
TOTAL CAPITAL OUTLAY	\$ 13,321	\$ 3,822	\$ 9,499
TOTAL EXPENDITURES	\$ 256,811	\$ 223,502	\$ 33,309
Other financing use - operating transfers to other funds	<u>4,000</u>	<u>4,000</u>	
TOTAL EXPENDITURES AND OTHER FINANCING USE	<u>\$ 260,811</u>	<u>\$ 227,502</u>	<u>\$ 33,309</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES AND EXPENDITURES AND COMPARISON
WITH BUDGET - LIBRARY FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Current property taxes	\$ 20,000	\$ 24,152	\$ 4,152
State grants	3,400	3,683	283
Penal fines	29,581	29,581	
Sales and charges for services	4,500	6,995	2,495
Interest	250	270	20
Other revenue:			
Fees	500	530	30
Fines	600	1,182	582
Donations and other	750	1,011	261
	<u>\$ 59,581</u>	<u>\$ 67,404</u>	<u>\$ 7,823</u>
Expenditures:			
Current:			
Recreation and culture:			
Salaries and fringes	\$ 38,000	\$ 36,060	\$ 1,940
Office supplies	2,800	3,752	(952)
Communications	1,300	1,382	(82)
Professional services and contracts	6,500	6,176	324
Transportation	300	497	(197)
Repairs and maintenance		40	(40)
Books and subscriptions	17,000	13,925	3,075
Miscellaneous	366	207	159
Capital outlay	2,000	1,113	887
	<u>\$ 68,266</u>	<u>\$ 63,152</u>	<u>\$ 5,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (8,685)</u>	<u>\$ 4,252</u>	<u>\$ 12,937</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES AND EXPENDITURES AND COMPARISON
WITH BUDGET - PARK FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services - park fees	\$ 35,000	\$ 51,921	\$ 16,921
Interest		215	215
Other		<u>209</u>	<u>209</u>
	\$ 35,000	\$ 52,345	\$ 17,345
Expenditures:			
Current:			
Recreation and culture:			
Salaries and fringes	\$ 26,000	\$ 22,723	\$ 3,277
Supplies	5,037	5,270	(233)
Contracted services	2,500	1,813	687
Repairs and maintenance	2,000	2,712	(712)
Miscellaneous	500	150	350
License and fees	300	583	(283)
Public utilities	6,800	6,394	406
Capital outlay	10,000	118,681	(108,681)
Debt service		<u>1,339</u>	<u>(1,339)</u>
	\$ 53,137	\$ 159,665	\$ (106,528)
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (18,137)	\$ (107,320)	\$ (89,183)
Other financing sources:			
Operating transfer from General Fund	\$ 4,000	\$ 4,000	
Proceeds from borrowing		<u>107,785</u>	<u>\$ 107,785</u>
	\$ 4,000	\$ 111,785	\$ 107,785
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ (14,137)	\$ 4,465	\$ 18,602

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Balance at April 1, 2004	<u>Trust and Agency</u>		Balance at March 31, 2005
		Additions	Deductions	
ASSETS				
Cash in bank	\$ 0	\$ 34,212	\$ 34,212	\$ 0
LIABILITIES				
Due General Fund	\$ 0			\$ 0
Due to other units of government:				
Ontonagon County	0	\$ 4,977	\$ 4,977	0
State of Michigan	0	28,733	28,733	0
Federal government	0			0
Others	0	502	502	0
	\$ 0	\$ 34,212	\$ 34,212	\$ 0

The accompanying notes are an integral part of the financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

ONTONAGON, MICHIGAN

March 31, 2005

Balance at April 1, 2004	<u>Tax Collection</u>		Balance at March 31, 2005
	Additions	Deductions	
<u>\$ 0</u>	<u>\$ 2,403,358</u>	<u>\$ 2,403,358</u>	<u>\$ 0</u>
 \$ 0	 \$ 144,224	 \$ 144,224	 \$ 0
 0	 1,011,119	 1,011,119	 0
<u>0</u>	<u>1,248,015</u>	<u>1,248,015</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 2,403,358</u>	<u>\$ 2,403,358</u>	<u>\$ 0</u>

SUPPLEMENTAL
REPORT

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Ontonagon
Ontonagon, Michigan

We have audited the financial statements of the government activities, each major fund and the aggregate remaining fund information of Township of Ontonagon as of and for the year ended March 31, 2005, which collectively comprise the Township of Ontonagon's basic financial statements and have issued our report thereon dated September 19, 2005. Township of Ontonagon has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* as of March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Ontonagon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Ontonagon's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-1 and 2005-2 and were reported upon in prior years.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the accompanying Schedule of Findings is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Ontonagon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
September 19, 2005

SCHEDULE OF FINDINGS
TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2005

Reportable Conditions:

(2005-1) Michigan Public Act 621 of 1978

Michigan Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township had actual expenditures in excess of budgeted expenditures in its General and Special Revenue Funds in certain budgetary functions. The Township budgeted a deficit in its Park Fund for the year ended March 31, 2005.

We recommend that the Township review the requirements of Michigan Public Act 621 of 1978 and comply with those requirements, including not adopting budgets with a deficit.

(2005-2) Tax Collection Distributions

State of Michigan Public Acts require local units to distribute at least 90% of total tax collections on hand at February 28 to the County and School District treasurers by 10 business days after February 28. The Township did not make such distribution of the 2004 tax roll until March 18, 2005.

We recommend the Township review the requirements of the Public Acts and make its future distributions in accordance therewith.